



February 18, 2009

The Honorable Senator McGinn
Kansas Senate
Statehouse, Room 222-E
Topeka, KS 66612

Dear Senator McGinn;

Last week KHPA responded to the Senate Ways and Means budgetary request that the agency identify mechanisms to reduce our 2010 budget by ten percent from the FY 2009 Governor's revised recommendations. As instructed we developed two versions of the 2010 budget to both include and exclude case loads. As I mentioned in earlier testimony, I strongly urge the Committee to consider the new funding provided specifically for Medicaid in the recently passed federal stimulus package – the American Recovery and Reinvestment Act (ARRA). Kansas can expect approximately \$440 million in federal assistance for Medicaid, retroactive to Oct. 1, 2008 and extending to Dec. 31, 2010 (9 quarters). Of this, the KHPA will receive approximately \$110 million in FY 2010 alone – thereby eliminating the need to make harmful reductions in Medicaid provider reimbursement that will impact access to health services in Kansas. Attached you will find a fact sheet on the health related provisions of the federal stimulus package.

KHPA began more than a year ago to systematically identify inefficiency, unnecessary spending, and other opportunities for program improvement in its State General Fund programs (exempting the state employee health plan), exhaustively reviewing fourteen separate components of the Medicaid and SCHIP programs, which comprise a vast majority of KHPA's state general fund programs. This year-long exercise culminated in the publishing of the 2008 Medicaid Transformation Plan, a more than 300 page, data-rich examination of the Medicaid program. This staff driven exercise was used as the basis for the development of KHPA's budget recommendations for FY 2009 and FY 2010, and included recommendations for savings of approximately \$8.7 million in FY 2010. During the development of the budget, additional savings were also identified and both sets of savings opportunities were included in the Governor's recommendations published in January 2009. All told, these recommendations total over \$32 million and represent nearly three percent of programmatic spending in KHPA State General Fund programs. These recommendations comprise KHPA's list of agency budget reductions that are both targeted and smart.

In order to achieve the ten percent reduction in our 2010 budget with caseload included, the agency would have to impose a 12.7% reduction in rates to Medicaid health care providers. Budget cuts of this magnitude added to the significant cuts made in the FY 2009 budget can only be achieved through three mechanisms: reducing the

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number of Kansans eligible for Medicaid, reducing the services beneficiaries receive, or reducing the amount providers are paid for the services they provide. Kansas currently has one of the lowest eligibility rates for adults in the country (approximately 30 % of federal poverty level) and although the program covers optional services, such as pharmacy, those services are integral in provision of modern day health care services. This leaves a reduction in provider rates as the mechanism we are forced to choose to achieve the 10% savings target. Such action, however, will have the deleterious and long-standing consequence of reducing access for Medicaid enrollees because providers will either cease to participate in the Medicaid program or will greatly reduce the number of Medicaid clients they see.

KHPA urges the Senate Ways and Means subcommittee to delay any further budgetary cuts until the funding provided in the American Recovery and Reinvestment Act arrives. This sizeable amount of new federal dollars available through the enhanced FMAP will preserve the Kansas Medicaid program in its current state and allow the poorest of Kansans continued access to vital health care services.

Sincerely,

Marcia J Nielsen, PhD, MPH

cc: Members of the Kansas Senate Ways and Means Budget Committee